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Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
FEA-01 /088 W
----------082376 080621Z /17
R 071445Z DEC 77
FM AMCONSUL FRANKFURT
TO SECSTATE WASHDC 224
INFO AMEMBASSY BONN
AMEMBASSY MOSCOW
USMISSION USNATO

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FOR COMMERCE-USDOC/BEWT/REICH

FOR COMMERCE-USDOC/BEWT/USSR/HEISS

E.O. 11652: N/A
TAGS: EFIN, EEWT, COMECON, UR
SUBJ: BANKERS ATTITUDES ON RECENT US-USSR TRADE ISSUES

1. BEWT/USSR OFFICER BOZEK ON WAY TO MOSCOW
SEMINAR REGARDING COMPENSATION ARRANGEMENTS IN
US-USSR TRADE MADE VISITS TO SEVERAL MAJOR
BANKS IN FRANKFURT. POINTS RAISED AT MEETINGS
INCLUDED COMPENSATION ARRANGEMENTS AND RECENT
CHANGES IN SOVEIT FINANCIAL PRACTICES. IT WAS
INTERESTING TO NOTE THAT OPINIONS OF AMERICAN AND
GERMAN BANKERS DIFFERED TO SOME DEGREE. GERMAN
BANKERS (WORKING FOR U.S. BANKS) SEEMED GENERALLY
MORE OPTIMISTIC ABOUT THE PROSPECTS FOR LARGE-
SCALE, RAW MATERIAL COMPENSATION ARRANGEMENTS
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THAN DID THEIR AMERICAN COLLEAGUES.
THE GERMAN BANKERS DID POINT OUT, HOWEVER,
THAT COUNTER-TRADE ARRANGEMENTS INVOLVING
EASTERN MANUFACTURED GOODS PROVE TROUBLESOME
AND, IF POSSIBLE, SHOULD BE AVOIDED. IN
MOST INSTANCES EASTERN MANUFACTURED PRODUCTS
ARE POORLY MADE, HARD TO SELL ON WESTERN MARKETS,

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AND USUALLY ARE DELIVERED LATE BY THE
EASTERN SELLERS.

2. GERMAN AND AMERICAN BANKERS ALSO HAD DIF-
FERING ATTITUDES TOWARDS RECENT CHANGES IN
SOVIET FINANCIAL PRACTICES--SPECIFICALLY
RECENT USSR FOREIGN TRADE BANK (VTB)
INSISTENCE ON HAVING: (1) THE RIGHT OF FIRST
REFUSAL ON ANY REDISCOUNTING OF ITS PROMISSORY
NOTES, AND (2) ITS FINANCIAL GUARANTEE ON FTO
PROMISSORY NOTES LINKED TO PERFORMANCE OF THE
WESTERN EXPORTER. THE GERMAN BANKERS SAW THE
RIGHT OF FIRST REFUSAL AS PROTECTING VTB
FROM HAVING ITS NOTES PURCHASED BY OTHER COMECON
COUNTRIES AND NOT BEING ABLE TO ROLL OVER
THE DEBT WHEN IT CAME DUE. U.S. BANKERS, HOWEVER,
SEE THE "RIGHT OF FIRST REFUSAL" AS A
BARGAINING CHIP TO COUNTER U.S. DEMANDS FOR
BETTER DOCUMENTATION AND HIGH INTEREST RATES.

3. THE VTB FINANCIAL GUARANTEE CONDITIONED
ON WESTERN EXPORTER PERFORMANCE, ALTHOUGH
NOT WIDELY ACCEPTED IN U.S. DOMESTIC MARKET,
SEEMS TO BE RATHER STANDARD IN EUROPE. COMECON
COUNTRIES USUALLY ISSUE "TRULY UNCONDITIONAL"
FINANCIAL GUARANTEES AFTER THE ACCEPTANCE OF
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WESTERN GOODS. U.S. BANKS ADMIT PRACTICE
WILL SOONER OR LATER BE S.O.P. IN U.S. MARKET BUT
WOULD RATHER SEE IT HAPPEN LATER.

4. COMMENT: IT WOULD SEEM THAT AS THE U.S.
AND USSR BECOME ACCUSTOMED TO TRADING WITH EACH
OTHER, PRACTICES THAT ARE COMMON IN WESTERN EUROPE
SOVIET TRADE WILL TEND TO BECOME THE MODE IN US-USSR TRADE.
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